

## Management Letter

To the Honorable Board of County Commissioners  
Leon County, Florida

We have audited the special-purpose financial statements of the Board of County Commissioners of Leon County, Florida (the Board), as of and for the fiscal year ended September 30, 2007, and have issued our report thereon dated February 15, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Compliance and Internal Control over Financial Reporting. Disclosures in that report, which is dated February 15, 2008, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and, unless otherwise required to be reported in the report on compliance and internal controls or schedule of findings and questioned costs, this letter is required to include the following information.

Section 10.554(1)(i)2., *Rules of the Auditor General*, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Board complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. A summary of the status of prior year recommendations is as follows:

### **Documentation for fixed assets purchased with Federal and State awards.**

The *OMB Circular A-133 Compliance Supplement*, Part 3 – Compliance Requirements and the Florida Department of Financial Service's *State Projects Compliance Supplement*, Part 3 – Compliance Requirements, indicate that the recipient's property records should identify property acquired with federal and/or state funds and the percentage of federal and/or state participation in the cost of the asset. During performance of our audit compliance testing, we noted that the Property Clerk's records did not contain this information. We recommended that a procedure be developed to insure that this information is incorporated into the Property Clerk's records.

**Current year Status:** Corrective action is in process. Fixed asset tracking software has been purchased and will be implemented in the 2007-2008 fiscal year.

**Management's Response:** We are presently in the process of implementing the software that was purchased for the tracking of fixed assets. When the software has been implemented this information will be tracked through this software.

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. A summary of current year recommendations is as follows:

#### **Recording of expenses related to grant funding**

During Single Audit testing, it was noted that expenditures in the amount of \$1,242,405 were recorded in funds 309 and 306 at September 30, 2006 for the Okeeheepkee Basin Retrofit cost reimbursable grant. The County received \$500,000 of grant monies during the current fiscal year for this grant. Because these expenditures were not properly recorded in fund 125, grant expenditures were not properly shown on the Schedule of Federal Awards and State Financial Assistance at September 30, 2006. This omission was discovered by finance personnel when the grant monies were received in the current fiscal year and they were not able to locate the expenditures. Additionally, after the completion of interim work three additional grants were discovered for which the expenditures were also recorded in fund 309 for a total of \$1,133,540. We recommend that a procedure be developed to ensure that grant expenditures are recorded properly.

**Management's Response:** Management concurs that a procedure needs to be established to ensure that grant expenditures are recorded in the proper fund.

#### **Submission of progress reports**

The County received a \$500,000 grant from the Florida Department of Environmental Protection for the construction of the Harbinwood Estates drainage improvements. Per review of the grant agreement, progress reports are to be submitted to describe the work performed, problems encountered, problem resolution, schedule updates, and proposed work for the next reporting period. Progress reports should be submitted no later than 20 days following the completion of the quarterly reporting period (calendar quarters ending March 31, June 30, September 30 and December 31). The quarterly reports had not been submitted because there was no activity to report. However, construction began in June 2007; therefore, in order to be in compliance with the grant agreement, a report should have been submitted containing minimum information regarding the initiation of the construction and to report on proposed work for the upcoming quarter. We recommend that progress reports be submitted as required by the grant agreement.

**Management's Response:** Management concurs that progress reports should be submitted in a timely manner per the grant agreement.

**Filing of travel expense reports**

Based on the Board Travel Expense Policy No. 01-10 dated September 21, 2004, within 10 days of completing authorized travel, travelers must file a Travel Expense Report form, which should reflect the entire cost of the trip, including all advances and direct payments made. Of the eight travel expenses tested, three had not completed a Travel Expense Report to reflect the entire cost of their trips, including advance purchases made with a purchase card. We suggest the County comply with their policies with respect to travel expenses and the documentation thereof.

**Management's Response:** Management concurs that all employees of the County should follow the procedures established.

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., *Rules of the Auditor General*, requires, based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings

Section 10.554(1)(i)6., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The name or official title and legal authority for the primary government and each component unit of the reporting entity are disclosed in Note 1 of the Notes to the Financial Statements. The Leon County Housing Finance Authority, a component unit of Leon County, was authorized pursuant to Chapter 159, Part IV, of the *Florida Statutes* and was created by Leon County Ordinance 80-39.

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Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.554(1)(i).

This management letter is intended solely for the information and use of the Board of County Commissioners of Leon County, Florida and management and the State of Florida, Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Thomas Howell Ferguson P.A.      Law, Redd, Crona & Munroe P.A.

February 15, 2008